

CITY OF ALBIA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2021

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City of Albia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Clark	Mayor	January 1, 2022
Merle Regenold	Council Member	January 1, 2024
Scott Kelly	Council Member	January 1, 2022
Brandon Williams	Council Member	January 1, 2024
Kathy Mobley	Council Member	January 1, 2022
Leslie Hill	Council Member	January 1, 2024
Dennis Conley	Council Member	January 1, 2022
Linda Heller	City Clerk/Treasurer	Indefinite
Breckenridge Law P.C.	Attorney	Indefinite

Library Board

Joe Starcevic	Library Trustee	July 1, 2023
Richard Grimes	Library Trustee	July 1, 2024
Dave Paxton	Library Trustee	July 1, 2024
Sally Bachman	Library Trustee	July 1, 2026
Lois Mick	Library Trustee	July 1, 2026
Melinda Montgomery	Library Trustee	July 1, 2026
Ron Honeke	Library Trustee	July 1, 2026
Sharon Crall	Library Trustee	July 1, 2026
Sue Goode	Library Trustee	July 1, 2026

Cemetery Board

Lennie Toopes	Cemetery Trustee	July 1, 2022
Randy Stafford	Cemetery Trustee	July 1, 2022
Richard Grimes	Cemetery Trustee	July 1, 2024
Terri Bender	Cemetery Trustee	July 1, 2026
Ann Donnelson	Cemetery Trustee	July 1, 2026
Lisa Griener	Cemetery Trustee	July 1, 2026
Theresa Christofferson	Cemetery Trustee	July 1, 2026

City of Albia



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, Iowa, (City) as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2021, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the year ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 26 through 30 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Faller, Kincheloe & Co., PLC". The signature is written in a cursive, flowing style.

FALLER, KINCHELOE & CO., PLC

December 6, 2021

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,142,841	91,220	52,265	160,542	(838,814)	-	(838,814)
Public works	714,791	590	594,349	31,573	(88,279)	-	(88,279)
Culture and recreation	437,065	95,261	62,877	-	(278,927)	-	(278,927)
Community and economic development	346,315	-	-	-	(346,315)	-	(346,315)
General government	322,490	24,055	11,225	-	(287,210)	-	(287,210)
Debt service	587,597	-	-	-	(587,597)	-	(587,597)
Capital projects	452,200	-	-	308,000	(144,200)	-	(144,200)
Total governmental activities	4,003,299	211,126	720,716	500,115	(2,571,342)	-	(2,571,342)
Business type activities:							
Sewer	862,974	677,392	11,322	-	-	(174,260)	(174,260)
Airport	12,553	4,960	1,000	-	-	(6,593)	(6,593)
Landfill	18,371	16,458	-	-	-	(1,913)	(1,913)
Total business type activities	893,898	698,810	12,322	-	-	(182,766)	(182,766)
Total	\$ 4,897,197	909,936	733,038	500,115	(2,571,342)	(182,766)	(2,754,108)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					1,297,270	-	1,297,270
Debt service					562,982	-	562,982
Local option sales tax					484,110	-	484,110
Hotel/Motel tax					24,768	-	24,768
Unrestricted interest on investments					13,642	-	13,642
Rent					4,950	-	4,950
Interim revenue project notes					-	247,320	247,320
General obligation bond proceeds					1,025,000	-	1,025,000
Miscellaneous					318	-	318
Transfers					22,626	(22,626)	-
Total general receipts and transfers					3,435,666	224,694	3,660,360
Change in cash basis net position					864,324	41,928	906,252
Cash basis net position beginning of year					4,130,643	357,039	4,487,682
Cash basis net position end of year					\$ 4,994,967	398,967	5,393,934
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 96,457	-	96,457
Expendable:							
Streets					93,513	-	93,513
Insurance					92,046	-	92,046
Debt service					90,004	-	90,004
Capital projects					647,463	-	647,463
Other purposes					3,060,595	-	3,060,595
Unrestricted					914,889	398,967	1,313,856
Total cash basis net position					\$ 4,994,967	398,967	5,393,934

See notes to financial statements.

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2021

	Special Revenue						Total
	General	Road Use Tax	Aquatic Center	Employee Benefits	Debt Service	Capital Projects	
Receipts:							
Property tax	\$ 892,211	-	-	405,059	562,982	-	1,860,252
Other city tax	508,877	-	-	-	-	-	508,877
Licenses and permits	24,145	-	-	-	-	-	24,145
Use of money and property	8,931	-	8,282	-	-	-	18,593
Intergovernmental	280,656	563,628	-	-	-	-	845,863
Charges for service	69,661	-	-	-	-	-	69,661
Miscellaneous	164,067	-	316	2,067	-	308,000	482,856
Total receipts	1,948,548	563,628	8,598	407,126	562,982	308,000	3,810,247
Disbursements:							
Operating:							
Public safety	930,582	-	-	212,141	-	-	1,142,841
Public works	21,517	555,053	-	138,221	-	-	714,791
Culture and recreation	371,441	-	4,587	55,394	-	-	437,065
Community and economic development	346,315	-	-	-	-	-	346,315
General government	250,887	-	-	71,603	-	-	322,490
Debt service	-	-	-	-	587,597	-	587,597
Capital projects	-	-	-	-	-	452,200	452,200
Total disbursements	1,920,742	555,053	4,587	477,359	587,597	452,200	4,003,299
Excess (deficiency) of receipts over (under) disbursements	27,806	8,575	4,011	(70,233)	(24,615)	(144,200)	(193,052)
Other financing sources (uses):							
General obligation bond proceeds	360,000	-	-	-	14,151	650,849	1,025,000
Sale of capital assets	9,750	-	-	-	-	-	9,750
Transfers in	301,028	129,386	49,236	6,896	28,055	142,250	684,099
Transfers out	(191,486)	(32,677)	(437,310)	-	-	-	(661,473)
Total other financing sources (uses)	479,292	96,709	(388,074)	6,896	42,206	793,099	1,057,376
Change in cash balances	507,098	105,284	(384,063)	(63,337)	17,591	648,899	864,324
Cash balances beginning of year	497,475	(11,771)	2,754,398	368,346	72,413	926	4,130,643
Cash balances end of year	\$ 1,004,573	93,513	2,370,335	305,009	90,004	649,825	4,994,967
Cash Basis Fund Balances							
Nonspendable:							
Cemetery perpetual care	\$ -	-	-	-	-	-	96,457
Restricted for:							
Streets	-	93,513	-	-	-	-	93,513
Insurance	92,046	-	-	-	-	-	92,046
Debt service	-	-	-	-	90,004	-	90,004
Capital projects	-	-	-	-	-	647,463	647,463
Other purposes	-	-	2,370,335	305,009	-	-	3,060,595
Assigned	343,520	-	-	-	-	2,362	345,882
Unassigned	569,007	-	-	-	-	-	569,007
Total cash basis fund balances	\$ 1,004,573	93,513	2,370,335	305,009	90,004	649,825	4,994,967

See notes to financial statements.

City of Albia

Exhibit C

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2021

	Enterprise		
	Sewer	Nonmajor	Total
Operating receipts:			
Use of money and property	\$ -	4,960	4,960
Charges for service	677,392	16,458	693,850
Miscellaneous	1,568	-	1,568
Total operating receipts	678,960	21,418	700,378
Operating disbursements:			
Business type activities	341,788	30,924	372,712
Total operating disbursements	341,788	30,924	372,712
Excess (deficiency) of operating receipts over (under) operating disbursements	337,172	(9,506)	327,666
Non-operating receipts (disbursements):			
Intergovernmental	9,754	1,000	10,754
Interim revenue project notes	247,320	-	247,320
Capital projects	(521,186)	-	(521,186)
Net non-operating receipts (disbursements)	(264,112)	1,000	(263,112)
Excess (deficiency) of receipts over (under) disbursements	73,060	(8,506)	64,554
Other financing sources (uses):			
Transfers in	-	5,429	5,429
Transfers out	(28,055)	-	(28,055)
Total other financing sources (uses)	(28,055)	5,429	(22,626)
Change in cash balances	45,005	(3,077)	41,928
Cash balances beginning of year	305,835	51,204	357,039
Cash balances end of year	\$ 350,840	48,127	398,967
Cash Basis Fund Balances			
Unrestricted	\$ 350,840	48,127	398,967
Total cash basis fund balances	\$ 350,840	48,127	398,967

See notes to financial statements.

City of Albia

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The City of Albia (City) is a political subdivision of the State of Iowa located in Monroe County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general governmental services. The City also provides sewer utilities and airport services for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Units

The Albia Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

Pursuant to Chapter 501B of the Code of Iowa, the Fire/Rescue Association of Albia, Iowa (Association) is an unincorporated nonprofit association. The Association exists for charitable purposes in support of the City of Albia Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Association are substantially for the direct benefit of the City of Albia Fire Department.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Monroe County Assessor's Conference Board and the Monroe County Joint E-911 Service Board.

Related Organization

The City Council members are also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. All remaining enterprise funds are aggregated and reported as nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Aquatic Center Fund is used to account for the local option sales tax collections to be used for the related costs associated with the aquatic center.

The Employee Benefits Fund is utilized to account for property tax and other receipts to be used for the payment of employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the public works, community and economic development and debt service functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 72.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Long-term Debt**

A summary of changes in bonds and notes payable and other debt payable for the year ended June 30, 2021 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 1,925,000	1,025,000	500,000	2,450,000	490,000
Installment Contract	1,305,000	-	87,000	1,218,000	87,000
Governmental activities total	<u>\$ 3,230,000</u>	<u>1,025,000</u>	<u>587,000</u>	<u>3,668,000</u>	<u>577,000</u>
Business type activities:					
Interim Revenue Project Notes	598,369	247,320	-	845,689	790,000
Business-type activities total	<u>\$ 598,369</u>	<u>247,320</u>	<u>-</u>	<u>845,689</u>	<u>790,000</u>

General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding Bonds Issued June 1, 2012			Corporate Purpose and Refunding Bonds Issued May 22, 2018		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2022	1.90%	\$ 200,000	11,900	3.00%	\$ 190,000	28,000
2023	2.00%	200,000	8,100	3.00%	80,000	22,300
2024	2.00%	205,000	4,100	3.00%	85,000	19,900
2025		-	-	3.00%	85,000	17,350
2026		-	-	3.00%	90,000	14,800
2027-2030		-	-	3.00-3.10%	400,000	30,400
		<u>\$ 605,000</u>	<u>24,100</u>		<u>\$ 930,000</u>	<u>132,750</u>

Year Ending June 30,	Corporate Purpose Bonds, Series 2020 Issued August 20, 2020			Total		
	Interest					
	Rates	Principal	Interest	Principal	Interest	Total
2022	1.89%	\$ 100,000	17,294	490,000	57,194	547,194
2023	1.89%	100,000	15,404	380,000	45,804	425,804
2024	1.89%	100,000	13,514	390,000	37,514	427,514
2025	1.89%	100,000	11,624	185,000	28,974	213,974
2026	1.89%	100,000	9,734	190,000	24,534	214,534
2027-2030	1.89%	415,000	19,753	815,000	50,153	865,153
		<u>\$ 915,000</u>	<u>87,323</u>	<u>2,450,000</u>	<u>244,173</u>	<u>2,694,173</u>

On June 1, 2012, the City issued \$2,780,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 0.35% to 2.00% per annum. The bonds were issued to current refund the City's outstanding \$520,000 General Obligation Corporate Purpose Bonds, Series 2002, advance refund the City's outstanding \$1,345,000 General Obligation Corporate Purpose Bonds, Series 2006, its outstanding \$250,000 General Obligation Street Improvement Bonds, Series 2007, and pay the costs associated with the issuance of the Bonds. During the year ended June 30, 2021, the City paid \$195,000 of principal and \$15,215 of interest on the bonds.

On May 22, 2018, the City issued \$1,675,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 3.00% to 3.10% per annum. The bonds were issued to refund the outstanding amount of its \$670,000 General Obligation Street Improvement Bonds, Series 2009, its \$845,000 General Obligation Corporate Purpose Bonds, Series 2010, construct street improvements, and pay the costs associated with the issuance of the bonds. During the year ended June 30, 2021, the City paid \$195,000 of principal and \$32,850 of interest on the bonds.

On August 20, 2020, the City issued \$1,025,000 of general obligation corporate purpose bonds with an interest rate of 1.89% per annum. The bonds were issued to pay the costs of planning, designing and constructing street improvements, acquiring, demolishing and improving dangerous and dilapidated property, and pay the costs of issuance of the bonds. During the year ended June 30, 2021, the City paid \$110,000 of principal and \$15,121 of interest on the bonds.

Installment Contract

A summary of the City's June 30, 2021 installment contract payable is as follows:

Year Ending June 30,	Installment Contract		Total	
	Principal	Interest	Principal	Interest
2022	\$ 87,000	-	87,000	-
2023	87,000	-	87,000	-
2024	87,000	-	87,000	-
2025	87,000	-	87,000	-
2026	87,000	-	87,000	-
2027-2031	435,000	-	435,000	-
2032-2035	348,000	-	348,000	-
	<u>\$ 1,218,000</u>	<u>-</u>	<u>1,218,000</u>	<u>-</u>

The City entered into an installment contract with Monroe County for the construction of a new public safety building. The public safety building is owned by Monroe County. The agreement is non-interest bearing and is payable in annual installments of \$87,000 through July 1, 2034. The total balance due in relation to this installment contract at June 30, 2021 was \$1,218,000.

Interim Revenue Project Notes

On December 14, 2018, the City entered into an interest free interim revenue project note agreement with the Iowa Finance Authority for up to \$790,000 to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. During the year ended June 30, 2021, the City drew \$191,631 on the notes, and as of June 30, 2021, \$790,000 is owed in relation to these notes. These notes are due on December 14, 2021.

On September 25, 2020, the City entered into an interest free interim revenue project note agreement with the Iowa Finance Authority for up to \$200,000 to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. During the year ended June 30, 2021, the City drew \$55,689 on the notes, and as of June 30, 2021, \$55,689 is owed in relation to these notes. These notes are due on September 25, 2023.

These notes were issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and are payable from the proceeds of an authorized loan agreement and the corresponding issuance of sewer revenue bonds. The interim revenue project notes have a term of three years.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).

- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 were \$80,717.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$495,775 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.0070576%, which was an increase of 0.000495% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$110,298, \$147,149 and \$75,172, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	4.43 %
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
---------------------------	-----------------------------	---------------------------

City's proportionate share of
the net pension liability

\$ 992,424 495,775 79,559

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Operating Lease Agreement

The City entered into a lease on August 7, 2020, to lease copier equipment at a monthly minimum of \$161. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires in July 2025.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2021:

Year Ended June 30,	Amount
2022	\$ 1,938
2023	1,938
2024	1,938
2025	1,938
2026	161
	<u>\$ 7,913</u>

During the fiscal year, total disbursements incurred in relation to this lease agreement were \$1,776.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$274,485 and plan members eligible for benefits contributed \$0 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>17</u>
Total	<u><u>17</u></u>

(7) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2021 primarily relating to the General Fund, was \$39,732. The liability has been computed based on rates of pay in effect at June 30, 2021.

(8) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Aquatic Center	\$ 301,028
Special Revenue: Road Use Tax	Special Revenue: Aquatic Center	129,386
Special Revenue: Aquatic Center	General	49,236
Special Revenue: Employee Benefits	Special Revenue: Aquatic Center	6,896
Special Revenue: Cooper Estate Bequest	Special Revenue: Road Use Tax	27,248
Debt Service	Enterprise: Sewer	28,055
Capital Projects	General	142,250
Enterprise: Airport	Special Revenue: Road Use Tax	5,429
Total		\$ 689,528

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) **Interfund Loans**

During the year ended June 30, 2017, the Special Revenue, Aquatic Center Fund loaned \$160,000 to the Rural Fire Fund (a sub account of the General Fund) to purchase a vehicle. This loan will be repaid from the Rural Fire Fund. The interest rate on this loan is 2% and will be repaid over 15 years. The City repaid \$32,290 in principal and interest on this loan during the year ended June 30, 2021. The principal balance on this loan at June 30, 2021 was \$0.

During the year ended June 30, 2018, the Special Revenue, Cooper Estate Bequest Fund and the Enterprise, Airport Fund loaned \$133,000 and \$26,500, respectively, to the Special Revenue, Road Use Tax Fund to purchase a street sweeper. This loan will be repaid from the Special Revenue, Road Use Tax Fund. The interest rate on this loan is 2.5% and will be repaid over 5 years. The City repaid \$34,332 in principal and interest on this loan during the year ended June 30, 2021. The principal balance on this loan at June 30, 2021 was \$33,495, consisting of \$27,930 due to the Special Revenue, Cooper Estate Bequest Fund and \$5,565 due to the Enterprise, Airport Fund.

During the year ended June 30, 2021, the Special Revenue, Aquatic Center Fund loaned \$129,386 to the Special Revenue, Road Use Tax Fund to purchase street related equipment. This loan will be repaid from the Special Revenue, Road Use Tax Fund. The interest rate on this loan is 2% and will be repaid over 7 years. The City repaid \$0 in principal and interest on this loan during the year ended June 30, 2021. The principal balance on this loan at June 30, 2021 was \$129,386.

During the year ended June 30, 2021, the Special Revenue, Aquatic Center Fund loaned \$197,000 to the City Fire Protection Fund (a sub account of the General Fund) to purchase a vehicle. This loan will be repaid from the City Fire Protection Fund. The interest rate on this loan is 2% and will be repaid over 10 years. The City repaid \$19,812 in principal on this loan during the year ended June 30, 2021. The principal balance on this loan at June 30, 2021 was \$177,188.

(10) Partial Self-funded Health Insurance

The City has a partially self-funded health insurance program. The City funds the difference between the deductible and out-of-pocket maximum on the plan chosen by the employee and the plan actually purchased by the City. This difference consists of a maximum City cost of \$3,500 for a single plan and \$3,000 for a family plan. The City incurred \$43,555 in costs related to this program for the year ended June 30, 2021. The City pays a monthly premium to a private insurer to fund these costs.

(11) Related Party Transactions

The City had business transactions between the City and City officials, totaling \$2,292 during the year ended June 30, 2021.

(12) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$69,102.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2021 consists of the following:

Purpose	Amount
Library	\$ 9,437
Cemetery	92,508
Park	19,357
Fire Protection	213,094
Community Policing	<u>9,124</u>
Total	<u>\$ 343,520</u>

(14) Contingencies

In prior years, the City received payments in lieu of taxes from the local housing agency. However it was later determined that some of these funds should have been distributed to the other political subdivisions in the county. The City Attorney's position was that the City owed the other political subdivisions in the County for the past five years only, which would amount to approximately \$21,000. However, in fiscal year 2004, the City agreed to pay approximately \$64,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency. The City and other political subdivisions signed an agreement whereby the other political subdivisions will receive the City's share of the payments in lieu of taxes until the City's liability has been satisfied. At June 30, 2021, the City owed approximately \$3,600 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency.

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(15) Commitments

The City has entered contracts for a trail project. The remaining amount to be paid on this contract at June 30, 2021 is approximately \$71,000. This project is expected to be completed in fiscal year 2022. The cost of this project will be financed with existing cash reserves.

The City can borrow an additional \$144,311 from its interim revenue project notes which were issued on September 25, 2020. It is anticipated this money will be borrowed to pay engineering costs associated with the waste water treatment plant project.

In fiscal year 2021, the City was awarded a \$9,000,000 loan and an \$813,000 grant from the United States Department of Agriculture. No monies were received from the United States Department of Agriculture as of June 30, 2021. These funds will be used to pay the costs associated with the waste water treatment plant project. It is anticipated the construction on this project will begin in fiscal year 2022.

In fiscal year 2021, the City was awarded approximately \$163,000 in grants from the United States Department of Agriculture for the purchase of equipment for the fire department and the street department. It is anticipated that these grants will be received in fiscal year 2022.

(16) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Albia. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City.

(17) Subsequent Events

The City has evaluated all subsequent events through December 6, 2021, the date the financial statements were available to be issued.

(18) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

City of Albia
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2021

			(Unaudited) Component Unit Albia		Budgeted Amounts		Final to Total Variance
	Governmental Funds Actual	Proprietary Funds Actual	Municipal Waterworks Actual	Total	Original	Final	
Receipts:							
Property tax	\$ 1,860,252	-	-	1,860,252	1,755,889	1,755,889	104,363
Other city tax	508,877	-	-	508,877	325,266	325,266	183,611
Licenses and permits	24,145	-	-	24,145	11,050	11,050	13,095
Use of money and property	18,593	4,960	25,524	49,077	20,800	20,800	28,277
Intergovernmental	845,863	10,754	-	856,617	1,708,682	1,803,682	(947,065)
Charges for service	69,661	693,850	1,643,235	2,406,746	2,976,886	3,035,003	(628,257)
Miscellaneous	482,856	1,568	47,762	532,186	36,600	36,600	495,586
Total receipts	3,810,247	711,132	1,716,521	6,237,900	6,835,173	6,988,290	(750,390)
Disbursements:							
Public safety	1,142,841	-	-	1,142,841	900,859	1,261,059	118,218
Public works	714,791	-	-	714,791	450,000	515,700	(199,091)
Culture and recreation	437,065	-	-	437,065	796,790	836,790	399,725
Community and economic development	346,315	-	-	346,315	15,000	15,000	(331,315)
General government	322,490	-	-	322,490	341,293	396,293	73,803
Debt service	587,597	-	-	587,597	538,506	538,506	(49,091)
Capital projects	452,200	-	-	452,200	850,000	1,100,000	647,800
Business type activities	-	893,898	1,614,842	2,508,740	12,358,106	12,452,006	9,943,266
Total disbursements	4,003,299	893,898	1,614,842	6,512,039	16,250,554	17,115,354	10,603,315
Excess (deficiency) of receipts over (under) disbursements	(193,052)	(182,766)	101,679	(274,139)	(9,415,381)	(10,127,064)	9,852,925
Other financing sources (uses), net	1,057,376	224,694	-	1,282,070	10,025,000	10,025,000	(8,742,930)
Change in balances	864,324	41,928	101,679	1,007,931	609,619	(102,064)	1,109,995
Balances beginning of year	4,130,643	357,039	442,895	4,930,577	5,277,146	10,554,292	(5,623,715)
Balances end of year	\$ 4,994,967	398,967	544,574	5,938,508	5,886,765	10,452,228	(4,513,720)

See accompanying independent auditor's report.

City of Albia

Notes to Other Information - Budgetary Reporting

June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$864,800. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the public works, community and economic development and debt service functions.

City of Albia

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Seven Years*
(In Thousands)

Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.007058%	0.006562%	0.006701%	0.006814%	0.006877%	0.006138%	0.005087%
City's proportionate share of the net pension liability	\$ 496	380	424	454	433	303	202
City's covered payroll	\$ 830	830	789	749	734	727	685
City's proportionate share of the net pension liability as a percentage of its covered payroll	59.76%	45.78%	53.74%	60.61%	58.99%	41.68%	29.49%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Albia
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 81	80	81	73	69	68	68	64	61	55
Contributions in relation to the statutorily required contribution	(81)	(80)	(81)	(73)	(69)	(68)	(68)	(64)	(61)	(55)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 850	830	830	789	749	734	727	685	663	*
Contributions as a percentage of covered payroll	9.53%	9.64%	9.76%	9.25%	9.21%	9.26%	9.35%	9.34%	9.20%	*

* - City's covered employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

City of Albia

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Albia

Schedule 1

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2021

	Special Revenue			Permanent	
	Cooper Estate Bequest	Police Department	Library	Cemetery Perpetual Care	Total
Receipts:					
Use of money and property	\$ 1,380	-	-	-	1,380
Intergovernmental	-	-	1,579	-	1,579
Miscellaneous	-	2,074	4,550	1,782	8,406
Total receipts	1,380	2,074	6,129	1,782	11,365
Disbursements:					
Operating:					
Public safety	-	118	-	-	118
Culture and recreation	-	-	5,643	-	5,643
Total disbursements	-	118	5,643	-	5,761
Excess of receipts over disbursements	1,380	1,956	486	1,782	5,604
Other financing sources (uses):					
Transfer in	27,248	-	-	-	27,248
Total other financing sources (uses)	27,248	-	-	-	27,248
Change in cash balances	28,628	1,956	486	1,782	32,852
Cash balances beginning of year	86,819	31,599	235,763	94,675	448,856
Cash balances end of year	\$ 115,447	33,555	236,249	96,457	481,708
Cash Basis Fund Balances					
Nonspendable:					
Cemetery perpetual care	\$ -	-	-	96,457	96,457
Restricted for other purposes	115,447	33,555	236,249	-	385,251
Total cash basis fund balances	\$ 115,447	33,555	236,249	96,457	481,708

See accompanying independent auditor's report.

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2021

	Enterprise		
	Airport	Landfill	Total
Operating receipts:			
Use of money and property	\$ 4,960	-	4,960
Charges for service	-	16,458	16,458
Total operating receipts	4,960	16,458	21,418
Operating disbursements:			
Business type activities	12,553	18,371	30,924
Total operating disbursements	12,553	18,371	30,924
Excess (deficiency) of operating receipts over (under) operating disbursements	(7,593)	(1,913)	(9,506)
Non-operating receipts (disbursements):			
Intergovernmental	1,000	-	1,000
Net non-operating receipts (disbursements)	1,000	-	1,000
Excess (deficiency) of receipts over (under) disbursements	(6,593)	(1,913)	(8,506)
Other financing sources (uses):			
Transfers in	5,429	-	5,429
Total other financing sources (uses)	5,429	-	5,429
Change in cash balances	(1,164)	(1,913)	(3,077)
Cash balances beginning of year	15,101	36,103	51,204
Cash balances end of year	\$ 13,937	34,190	48,127
Cash Basis Fund Balances			
Unrestricted	\$ 13,937	34,190	48,127
Total cash basis fund balances	\$ 13,937	34,190	48,127

See accompanying independent auditor's report.

City of Albia
Schedule of Indebtedness
Year ended June 30, 2021

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes -									
Corporate Purpose and Refunding Bonds	June 1, 2012	0.35 to 2.00%	\$ 2,780,000	800,000	-	195,000	605,000	15,215	-
Corporate Purpose and Refunding Bonds	May 22, 2018	3.00 to 3.10%	1,675,000	1,125,000	-	195,000	930,000	32,850	-
Corporate Purpose Bonds, Series 2020	August 20, 2020	1.89%	1,025,000	-	1,025,000	110,000	915,000	15,121	-
Total				<u>\$ 1,925,000</u>	<u>1,025,000</u>	<u>500,000</u>	<u>2,450,000</u>	<u>63,186</u>	<u>-</u>
Installment Contract -									
Public Safety Building	March 17, 2015	-	\$ 2,000,000	<u>1,305,000</u>	<u>-</u>	<u>87,000</u>	<u>1,218,000</u>	<u>-</u>	<u>-</u>
Interim Revenue Project Notes -									
Sewer	December 14, 2018	-	\$ 790,000	598,369	191,631	-	790,000	-	-
Sewer	September 25, 2020	-	200,000	-	55,689	-	55,689	-	-
				<u>\$ 598,369</u>	<u>247,320</u>	<u>-</u>	<u>845,689</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report.

Bond and Note Maturities

June 30, 2021

General Obligation Bonds and Notes							
Year Ending June 30,	Corporate Purpose and Refunding Bonds Issued June 1, 2012		Corporate Purpose and Refunding Bonds Issued May 22, 2018		Corporate Purpose Bonds Issued August 20, 2020		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2022	1.90%	\$ 200,000	3.00%	\$ 190,000	1.89%	\$ 100,000	490,000
2023	2.00%	200,000	3.00%	80,000	1.89%	100,000	380,000
2024	2.00%	205,000	3.00%	85,000	1.89%	100,000	390,000
2025	-	-	3.00%	85,000	1.89%	100,000	185,000
2026	-	-	3.00%	90,000	1.89%	100,000	190,000
2027	-	-	3.00%	100,000	1.89%	100,000	200,000
2028	-	-	3.00%	100,000	1.89%	105,000	205,000
2029	-	-	3.10%	100,000	1.89%	105,000	205,000
2030	-	-	3.10%	100,000	1.89%	105,000	205,000
		<u>\$ 605,000</u>		<u>\$ 930,000</u>		<u>\$ 915,000</u>	<u>2,450,000</u>

See accompanying independent auditor's report.

City of Albia

Schedule 5

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Receipts:										
Property tax	\$ 1,860,252	1,854,066	1,835,165	1,835,717	1,855,564	1,794,534	1,604,213	1,552,838	1,499,709	1,452,512
Other city tax	508,877	463,138	313,708	274,087	436,044	411,415	361,372	395,807	313,002	637,070
Licenses and permits	24,145	33,082	31,004	12,785	11,902	14,512	13,358	13,694	11,249	16,218
Use of money and property	18,593	22,674	29,892	23,562	16,077	14,879	18,424	20,126	29,502	44,947
Intergovernmental	845,863	591,779	641,742	600,389	600,403	636,672	470,167	758,106	961,505	844,041
Charges for service	69,661	58,605	97,034	93,133	89,493	100,924	90,128	82,753	98,275	147,558
Miscellaneous	482,856	180,800	97,310	108,932	100,195	74,860	144,781	144,401	142,829	64,899
Total	\$ 3,810,247	3,204,144	3,045,855	2,948,605	3,109,678	3,047,796	2,702,443	2,967,725	3,056,071	3,207,245
Disbursements:										
Operating:										
Public safety	\$ 1,142,841	873,654	824,745	760,332	868,353	779,596	689,240	634,633	604,991	586,038
Public works	714,791	922,617	598,114	739,182	512,308	459,152	478,168	512,312	411,244	479,953
Culture and recreation	437,065	604,195	463,375	430,835	472,422	408,862	476,950	395,655	390,480	424,215
Community and economic development	346,315	200,845	118,060	181,614	154,083	501,866	40,509	7,312	7,686	10,978
General government	322,490	677,902	317,198	303,149	283,381	332,951	282,286	285,077	260,906	216,486
Debt service	587,597	553,230	537,797	1,282,548	516,636	469,283	524,833	510,960	1,463,962	730,569
Capital projects	452,200	-	-	879,784	57,078	1,395	72,248	102,918	1,808,641	592,173
Total	\$ 4,003,299	3,832,443	2,859,289	4,577,444	2,864,261	2,953,105	2,564,234	2,448,867	4,947,910	3,040,412

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, Iowa (City) as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2021. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Albia Municipal Waterworks and the Fire/Rescue Association of Albia, Iowa.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-21, I-B-21, I-C-21 and I-E-21 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-D-21 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

December 6, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-21 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals have control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-21 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

City of Albia

Schedule of Findings

Year ended June 30, 2021

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion - Response acknowledged.

I-C-21 Financial Reporting

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - Material amounts of receipts and disbursements were not properly recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Cause - City policies do not require and procedures have not been established to require independent review of receipt and disbursement transactions posted to the accounting records to ensure the financial statements are accurate and reliable.

Effect - Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City's financial statements were necessary.

Recommendation - The City should implement procedures to ensure receipts and disbursements are properly recorded in the City's financial statements.

Response - The City will implement this recommendation.

Conclusion - Response acknowledged.

City of Albia

Schedule of Findings

Year ended June 30, 2021

I-D-21 Chart of Accounts

Criteria – An effective internal control system provides for internal controls related to accurate and complete financial reporting.

Condition – The City has not fully implemented the recommended Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee.

Cause – City policies and procedures have not been established to require the use of the Uniform Chart of Accounts.

Effect – Not using a uniform chart of accounts could result in inaccurate or incomplete financial reporting.

Recommendation – To provide better financial information and control, the City should establish policies and procedures to require the use of the recommended Uniform Chart of Accounts, or its equivalent.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

I-E-21 Monthly Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments.

Condition – Although monthly bank reconciliations were prepared, the reconciliations did not reconcile with the monthly financial reports. In addition, the bank reconciliations also included reconciling items which should not have been included as reconciling items.

Cause – Policies have not been established and procedures have not been implemented to a complete and accurate bank reconciliation exists of all accounts and investments.

Effect – Lack of accurate bank reconciliations could result in undetected errors or unauthorized activity.

Recommendation – The City should establish procedures to ensure bank and investment account balances are accurately reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Procedures should also be established to ensure all financial reports reconcile and include all City activity.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Albia

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- II-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public works, community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-B-21 Questionable Disbursements – Disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
IPERS	Late fee and interest	\$ 50
Falvey Lumber	Finance charge	3

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City of Albia (City) should determine and document the public purpose served by these disbursements before authorizing any further payments.

Response – We will review this issue.

Conclusion – Response acknowledged.

- II-C-21 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-21 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Robert Pistek, City public works employee, son of Joe Pistek, owner of J&K Tire	Equipment repairs	\$2,292

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions with the individual were less than \$6,000 during the fiscal year.

- II-E-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa

City of Albia

Schedule of Findings

Year ended June 30, 2021

II-F-21 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-G-21 City Council Minutes - Transactions were found that we believe should have been approved in the Council minutes but were not.

Some claims were not approved by the City Council. A summary of all receipts and total expenditures from each city fund were not consistently published in the newspaper. Several claims were not published in the newspaper. Chapter 372.13(6) of the Code of Iowa requires a summary of all receipts, total expenditures from each city fund and council minutes be published in the newspaper within fifteen days of the City Council meeting. In addition, this same Code Section requires that the City Council approve all claims and these claims be published in the newspaper.

The City Council went into closed session at times during the fiscal year. The City Council minutes did not document the vote of each member to go into closed session, as required by Chapter 21.5(2) of the Code of Iowa.

Recommendation - The City should implement procedures to ensure that all claims paid are approved by the City Council. The City should also implement procedures to ensure that total expenditures from each city fund, all claims and a summary of all receipts are included in the newspaper publications. The City should also comply with Chapter 21 of the Code of Iowa in regards to closed sessions.

Response - We will implement these recommendations.

Conclusion - Response acknowledged.

II-H-21 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-21 Revenue Notes - No instances of non-compliance with the revenue note resolutions were noted.

II-J-21 Property/Liability Insurance - The City levies a tax to pay for property and liability insurance coverage. The proceeds of this tax are used to pay all the costs associated with property and liability insurance coverage. The costs incurred by the airport operations for property and liability insurance coverage have been included in the tax levy for property and liability insurance coverage.

Recommendation - Costs incurred for property and liability insurance coverage for the airport operations should be charged to those funds and not be included in the tax levy.

Response - We will implement this recommendation.

Conclusion - Response acknowledged.

II-K-21 Monies Not Collected - It appears the City is owed \$2,750 from individuals for delinquent hangar fees at the airport, and \$4,185 in delinquent rent from the airport crop land.

It appears the City of Melrose did not pay the City its Library fee for fiscal years 2017, 2018 and 2020.

Recommendation - The City should implement procedures to ensure all monies due to the City are identified, requested and received on a timely basis.

City of Albia
Schedule of Findings
Year ended June 30, 2021

Response – We will review this and take appropriate action.

Conclusion – Response acknowledged.

- II-L-21 Local Option Sales Tax – The City and County entered into an agreement whereby the County would remit its local option sales tax collections to the City. The City was then to use these funds for the aquatic center costs. Our review noted that it appears that the County still owes two months of local option sales tax receipts to the City, which we estimate would amount to approximately \$70,000.

Recommendation – The City should consult with legal counsel to resolve this matter.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-M-21 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all entities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-N-21 Interfund Transfers – During the fiscal year, one interfund transfer was not passed by resolution as required by Iowa Administrative Code Section 545-2.1.

Recommendation – The City should implement procedures to ensure compliance with the State of Iowa requirements in relation to interfund transfers.

Response – This provision was new in fiscal year 2019. We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-O-21 Internal Revenue Service (IRS) Reporting – An instance was noted where this City did not issue an IRS 1099-Misc. form as required.

Recommendation – The City issue 1099-Misc. forms as required.

Response – The vendor missed was an oversight. We will ensure all applicable vendors receive this form in the future.

Conclusion – Response acknowledged.

- II-P-21 Disbursements – The City is currently paying for extra property insurance of \$18.84 per month on leased equipment. However, the City already has adequate property insurance on this equipment. As a result, the City is paying an extra \$18.84 on insurance when it is not needed or required.

Some claims are paid from a statement and not from an invoice. To provide increased internal control over disbursements, all claims should be paid from an invoice and not from a statement.

City of Albia

Schedule of Findings

Year ended June 30, 2021

Recommendation – The City should implement procedures to ensure all expenses are reasonable and necessary, and that all claims are paid from an invoice and not from a statement.

Response – We will attempt to implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

II-Q-21 Payroll – Instances were noted where wage increases were given as a percentage, and the actual approved wages were not documented in the library minutes. An employee timesheet was not kept in one instance. Another instance was noted where an employee timesheet was not signed by a supervisor.

Recommendation – The City should implement procedures to ensure actual wages for employees are documented in the library minutes. In addition, all employees should keep timesheets and all employee timesheets should be approved by a supervisor.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.